



New Mexico State Land Office  
Aubrey Dunn, Commissioner of Public Lands

Dear Agricultural Lessee:

Enclosed is your copy of the State Agricultural Lease Renewal. The lease will commence on October 1, 2016 and shall expire at midnight September 30, 2021.

This letter is intended to clarify the rights and uses of state trust land to which you are entitled under the terms of your state agricultural lease. The STATE LAND OFFICE operates pursuant to a multiple land use concept whereby several parties may be granted different rights in the same land. For instance, a grazing lease might be issued to one person, a right-of-way across the lease land to a second person, and a sand and gravel lease on a portion of the leased land to a third person. In addition, the same leased land could be subject to entry by holders of valid hunting and fishing licenses issued by the Department of Game and Fish as well as to entry by State Land Office recreational access permittees. Each of these persons have a legal right to utilize the land for purposes set out in his or her granting instrument. It is the responsibility of the Commissioner of Public Lands to sell such rights in the land to raise revenues for public schools and other state institutions.

Your state agricultural lease authorizes you to use the forage and that surface of the state trust lands covered by your lease in conjunction with your ranch or farming operations. The lease does not, however, give you the right to authorize others to use the leased state land in any manner. Only the Commissioner is authorized to sell rights in state trust land. You may not allow others to engage in activities on the land you lease such as placing billboards, cutting or gathering wood, digging for sand and gravel or using an easement to cross the leased state land. These and other rights in the state trust land are subject to sale by the Commissioner, and you as a state lessee, may neither sell them nor give them away.

Your agricultural lease is issued subject to the rights of other interest holders. Although your rights as a lessee are more extensive than those of most other interest holders, you do not have the right to interfere with their exercise of valid, authorized rights in the leased lands. A mineral lessee has the right to conduct reasonable mineral exploration, development or production activities on the leased premises.

You have the right to ask others on your leased state trust land to identify the interests they hold in the same land by showing you the instrument executed by the Commissioner that grants them rights in the land. You have this right because you have a legal obligation to prevent trespass and waste by others on your leased land. We at the State Land Office appreciate the diligence with which state agricultural lessees through the years have participated in the protection of our state trust lands. We want our agricultural lessees to be aware, however, of the rights of others in the leased lands as well as their own rights and responsibilities.

If you have any questions concerning the specific rights and responsibilities granted by any type of State Land Office instrument, please call Deputy Commissioner Laura Riley at (505) 827-5760 or Lucille Martinez at (505) 827-5732 or write me at New Mexico State Land Office, P.O. Box 1148, Santa Fe, NM 87504-1148.

Sincerely,

Aubrey Dunn  
Commissioner of Public Lands

NEW MEXICO STATE LAND OFFICE  
COMMISSIONER OF PUBLIC LANDS  
NEW MEXICO STATE LAND OFFICE BUILDING  
P.O. BOX 1148, SANTA FE, NM 87504-1148

AGRICULTURAL LEASE

LEASE NO. GR2149

THIS LEASE, DATED OCTOBER 01, 2016 , IS ENTERED INTO BY AND BETWEEN THE COMMISSIONER OF PUBLIC LANDS, NEW MEXICO STATE LAND OFFICE, STATE OF NEW MEXICO, HEREINAFTER CALLED "LESSOR" AND:

7B RANCH, LLC

HEREINAFTER CALLED "LESSEE(S)", WHOSE ADDRESS OF RECORD IS:

388 STEVENS DRAW  
PINON, NM 88344

LESSOR AND LESSEE AGREE AND COVENANT AS FOLLOWS:

1. LEASE.

FOR AND IN CONSIDERATION OF AND SUBJECT TO THE RENTALS AND THE TERMS, COVENANTS, CONDITIONS, AGREEMENTS, OBLIGATIONS, AND RESERVATIONS CONTAINED IN THIS LEASE AND ALL OTHER EXISTING RIGHTS, LESSOR GRANTS AND LEASES TO LESSEE AND LESSEE TAKES FROM LESSOR THE TRACT(S) OF LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. THIS LEASE IS GOVERNED BY 19.2.8 NMAC (RULE 8).

2. TERM.

THE TERM OF THIS LEASE SHALL BEGIN ON OCTOBER 01, 2016 AND SHALL EXPIRE AT MIDNIGHT SEPTEMBER 30, 2021.

3. RENT.

THE ANNUAL RENTAL SHALL NOT BE LESS THAN THE MINIMUM RENTAL ESTABLISHED BY SECTION 19-7-29 NMSA 1978 AND SHALL BE PAID IN ADVANCE FOR EACH LEASE YEAR AND RECEIVED IN THE STATE LAND OFFICE ON OR BEFORE OCTOBER 1. THE ANNUAL RENTAL FOR GRAZING LAND SHALL BE DETERMINED AS FOLLOWS : ANNUAL RENTAL = BASE VALUE X CARRYING CAPACITY X ACREAGE X ECONOMIC VARIABLE INDEX (EVI), AS DEFINED BY SLO RULE 8 "RELATING TO AGRICULTURAL LEASES" (19 N.M.A.C. 3, SLO 8.11). IN NO EVENT SHALL THE PRODUCT OF THE APPLICATION OF THE EVI, FOR EACH SUCCESSIVE YEAR OF THE LEASE TERM, BE DECREASED OR INCREASED BY MORE THAN THIRTY-THREE AND ONE-THIRD PERCENT. IN THE CASE OF GRAZING RENTAL OFFERS ON OPEN ACREAGE OR PURSUANT TO COMPETITIVE BID, LESSOR MAY ACCEPT GREATER RENTAL AMOUNTS THAN THOSE DETERMINED BY THE FOREGOING FORMULA, BUT THE ANNUAL GRAZING RENTAL DUE IN ANY LEASE YEAR SHALL NOT BE LESS THAN THE FORMULA AMOUNT. THE ANNUAL RENTAL FOR CULTIVATED LAND, ASSOCIATED LAND AND CONSERVATION RESERVE PROGRAM LAND SHALL BE DETERMINED BY LESSOR AND SHALL REMAIN UNCHANGED DURING THE TERM OF THE LEASE. THE TYPE OF LAND HEREBY LEASED AND THE ANNUAL RENTAL AMOUNT FOR THIS LEASE SHALL BE AS SET OUT IN EXHIBIT A HEREIN.

4. PERMITTED USE.

LESSEE MAY USE THE LEASED PREMISES ONLY FOR SUCH OPERATIONS AND ACTIVITIES AS ARE NECESSARY TO CARRY OUT THE PURPOSES FOR WHICH THE LEASE IS GRANTED AS SPECIFIED IN EXHIBIT A, AND IN ORDER TO COMPLY WITH ALL APPLICABLE PROVISIONS OF LAW REGARDING THE CARE AND PROTECTION OF THE LEASED PREMISES.

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5. LIEN.

AS SECURITY FOR THE PAYMENT OF ANY RENT THAT IS OR MAY BECOME DUE AND UNPAID, LESSEE GRANTS TO LESSOR A FIRST AND PRIOR LIEN UPON ANY AND ALL IMPROVEMENTS AND CROPS ON THE LEASED PREMISES.

6. IMPROVEMENTS.

NO IMPROVEMENTS, EXCEPT AS OTHERWISE PROVIDED BY LAW, SHALL BE PLACED ON THE LEASED PREMISES WITHOUT THE PRIOR WRITTEN CONSENT OF THE LESSOR. ALL IMPROVEMENTS PLACED ON THE LEASED PREMISES IN VIOLATION OF THIS PARAGRAPH SHALL BE CONSIDERED AND TREATED AS UNAUTHORIZED IMPROVEMENTS IN ACCORDANCE WITH THE APPLICABLE LAWS AND RULES.

7. ASSIGNMENT, SUBLEASE AND RELINQUISHMENT.

LESSEE SHALL NOT ASSIGN OR SUBLEASE THE LEASED PREMISES OR THE IMPROVEMENTS ON SAID PREMISES WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR AND SUCH OTHER REQUIREMENTS AS PRESCRIBED BY LAW OR RULE. AS PROVIDED BY LAW AND RULE ANY LEASE, IN GOOD STANDING, MAY BE RELINQUISHED TO THE STATE. UPON RELINQUISHMENT HOWEVER, THE LESSEE SHALL NOT BE ENTITLED TO A REFUND OF RENTALS PREVIOUSLY OWING AND PAID.

8. COLLATERAL ASSIGNMENTS.

ANY AGRICULTURAL LEASE MAY BE ASSIGNED AS COLLATERAL SECURITY SUBJECT TO THE EXPRESS WRITTEN CONSENT OF THE LESSOR AND SUCH OTHER TERMS AND CONDITIONS AS PRESCRIBED BY LAW OR RULE. THE APPROVAL OF A COLLATERAL ASSIGNMENT, HOWEVER, SHALL NOT PREVENT THE CANCELLATION OF THE LEASE AND TERMINATION OF THE COLLATERAL ASSIGNMENT FOR THE NONPAYMENT OF RENTALS OR OTHER VIOLATIONS OF THE LEASE TERMS.

9. DEFAULT AND CANCELLATION.

THE VIOLATION BY LESSEE OF ANY OF THE TERMS, CONDITIONS, OR COVENANTS OF THIS LEASE OR THE NONPAYMENT BY LESSEE OF THE RENT DUE UNDER THIS LEASE SHALL AT THE OPTION OF THE COMMISSIONER BE CONSIDERED A DEFAULT AND SHALL CAUSE THE CANCELLATION OF THIS LEASE 30 DAYS AFTER LESSOR HAS SENT WRITTEN NOTICE OF SUCH DEFAULT TO THE LESSEE AND TO ANY HOLDERS OF COLLATERAL ASSIGNMENTS BY REGISTERED MAIL, ADDRESSED TO THE POST OFFICE ADDRESS OF RECORD, PROVIDED, HOWEVER, IF WITHIN THE THIRTY DAYS THE LESSEE OR HOLDERS OF ANY COLLATERAL ASSIGNMENTS SHALL COMPLY WITH THE DEMAND MADE IN THE NOTICE, CANCELLATION SHALL NOT BE MADE.

10. RENEWAL.

ANY LESSEE WHO DESIRES TO SECURE A NEW LEASE SHALL MAKE AND FILE AN APPLICATION WITH THE LESSOR ON OR BEFORE AUGUST 1 NEXT PRECEEDING THE EXPIRATION OF THIS LEASE. THE RIGHT OF RENEWAL SHALL BE SUBJECT TO SUCH TERMS AND CONDITIONS AS PROVIDED FOR BY LAW AND RULE.

11. RESERVATIONS.

A. LESSOR RESERVES THE RIGHT TO EXECUTE LEASES ON THE LAND GRANTED BY THIS LEASE FOR MINING PURPOSES AND FOR THE EXTRACTION OF OIL, GAS, SALT, GEOTHERMAL RESOURCES, AND OTHER MINERAL DEPOSITS THEREFROM AND THE RIGHT TO GO UPON, EXPLORE FOR, MINE, REMOVE AND SELL SAME. LESSOR FURTHER RESERVES THE RIGHT TO SELL OR DISPOSE OF NATURAL SURFACE PRODUCTS OF SAID LANDS OTHER THAN GRAZING, AGRICULTURAL OR HORTICULTURAL PRODUCTS AND TO GRANT SUCH OTHER RIGHTS-OF-WAY AND EASEMENTS AS PROVIDED

61 101 WY 21 507 9102

BY LAW.

B. LESSOR RESERVES THE RIGHT TO WITHDRAW PURSUANT TO RULE, UP TO 640 ACRES, BUT IN NO CASE MORE THAN HALF, OF THE LAND HELD BY THIS LEASE.

12. COMPLIANCE WITH LAWS.

LESSEE SHALL AT ITS OWN EXPENSE FULLY COMPLY WITH AND BE SUBJECT TO ALL LAWS, REGULATIONS, RULES, ORDINANCES, AND REQUIREMENTS OF LESSOR AND APPLICABLE CITY, COUNTY, STATE AND FEDERAL AUTHORITIES AND AGENCIES WHICH HAVE BEEN OR MAY BE ENACTED OR PROMULGATED, IN ALL MATTERS AND THINGS AFFECTING THE LEASED PREMISES AND OPERATIONS THEREON. SUCH OTHER AGENCIES SHALL NOT BE DEEMED THIRD PARTY BENEFICIARIES UNDER THIS LEASE.

13. HOLD HARMLESS.

LESSEE SHALL SAVE AND HOLD HARMLESS, INDEMNIFY AND DEFEND LESSOR AND THE STATE OF NEW MEXICO, AND THEIR AGENT OR AGENTS, IN THEIR OFFICIAL AND INDIVIDUAL CAPACITIES, OF AND FROM ANY AND ALL LIABILITY CLAIMS, LOSSES, OR DAMAGES ARISING OUT OF OR ALLEGED TO ARISE OUT OF OR INDIRECTLY CONNECTED WITH THE OPERATIONS OF LESSEE UNDER THIS LEASE, OFF OR ON THE LEASED PREMISES OR ARISING OUT OF THE PRESENCE ON THE LEASED PREMISES OF ANY AGENT, CONTRACTOR OR SUBCONTRACTOR OF LESSEE.

14. AMENDMENT.

THIS LEASE SHALL NOT BE ALTERED, CHANGED OR AMENDED EXCEPT BY INSTRUMENT IN WRITING EXECUTED BY LESSOR AND LESSEE.

15. WAIVER.

NO WAIVER OF ANY BREACH OR DEFAULT BY LESSEE OF ANY OF THE TERMS, CONDITIONS OR COVENANTS OF THIS LEASE SHALL BE HELD TO BE A WAIVER OF ANY SUBSEQUENT BREACH. NO WAIVER SHALL BE VALID OR BINDING UNLESS THE SAME IS IN WRITING AND SIGNED BY LESSOR.

16. DELINQUENT RENTAL.

ALL RENTAL PAYMENTS RECEIVED AFTER OCTOBER 1 OF EACH YEAR SHALL BE CONSIDERED DELINQUENT AND SHALL BE SUBJECT TO THE PAYMENT OF INTEREST AT A RATE OF ONE PERCENT (1%) A MONTH FOR ANY FRACTION OF A MONTH. INTEREST SHALL ACCRUE FROM THE DATE THE PAYMENT BECOMES DUE.

17. APPLICABLE LAW.

THIS LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW MEXICO.

18. SUCCESSORS IN INTEREST.

ALL TERMS, CONDITIONS AND COVENANTS IN THIS LEASE SHALL EXTEND TO AND BIND THE HEIRS, ASSIGNS, AGENTS, ATTORNEYS, CONTRACTORS AND SUCCESSORS IN INTEREST OF LESSOR AND LESSEE.

19. CARRYING CAPACITY REEVALUATION.

THE LESSOR RESERVES THE RIGHT DURING THE TERM OF THIS LEASE, AND UPON THE LESSOR'S DISCRETION, TO CONDUCT CARRYING CAPACITY REEVALUATIONS AND MAKE THE NECESSARY ADJUSTMENTS TO THE LEASE AND RENTAL AS MAY BE REQUIRED.

20. SURFACE DAMAGES NOTIFICATION.

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PURSUANT TO 19.2.8.21 NMAC, IF LESSEE IS INVOLVED IN LITIGATION WITH ANY OTHER PERSON OR ENTITY FOR DAMAGES CONNECTED WITH THEIR LEASED TRUST LAND, LESSEE MUST NOTIFY THE COMMISSIONER AS SOON AS PRACTICABLE. THIS NOTICE REQUIREMENT DOES NOT APPLY TO LITIGATION INVOLVING ONLY THE LESSEE'S PERSONAL OR REAL PROPERTY.

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NEW MEXICO STATE LAND OFFICE

APPRAISEMENT OF GRAZING AND AGRICULTURAL LANDS

COMMISSIONER OF PUBLIC LANDS  
NEW MEXICO STATE LAND OFFICE BUILDING  
PO BOX 1148, SANTA FE, NEW MEXICO 87504-1148

LESSEE: SECTION 10 OF THE NEW MEXICO ENABLING ACT SPECIFICALLY REQUIRES THAT ALL STATE LAND TO BE LEASED BE APPRAISED AT ITS TRUE VALUE. STATE LAW, UNDER SECTION 19-7-1 NMSA 1978, FURTHER PRESCRIBES THAT SUCH APPRAISEMENT BE SECURED BY THE LESSEE WHEN ACQUIRING A LEASE AND THAT SUCH APPRAISEMENT BE COMPLETED BY A DISINTERESTED PERSON. THE INSTRUCTIONS FOR THE COMPLETION OF THIS FORM ARE SET OUT BELOW.

APPRAISEMENT

INSTRUCTIONS: THIS INFORMATION MUST BE COMPLETED BY A DISINTERESTED PERSON AND BASED ON THAT INDIVIDUAL'S INFORMATION AND BELIEF. THIS FORM CANNOT BE COMPLETED BY A LICENSED APPRAISER. (NMSA 1978, 61-30-16). YOU CANNOT PAY TO HAVE THIS FORM COMPLETED. (NMSA 1978, 60-30-3A). THE LAND MUST BE APPRAISED AS VACANT, I.E. WITHOUT IMPROVEMENTS, FOR BOTH SALE AND LEASE PURPOSES. IT MUST ALSO BE SIGNED BEFORE A NOTARY PUBLIC.

I, Louis Pelanco, DO SOLEMNLY SWEAR (OR AFFIRM), UNDER THE PENALTIES OF PERJURY, THAT AFTER HAVING PERSONALLY INSPECTED THE TRACT(S) OF LAND CONTAINED IN LEASE NO. GR2149 AND DESCRIBED IN EXHIBIT A OF SAID LEASE, THAT MY OPINION OF THE APPRAISED CASH VALUE OF SAME (WITHOUT IMPROVEMENTS) IS \$ 35.00 PER ACRE, IF SOLD, AND \$ 35.00 PER ACRE, FOR LEASE PURPOSES, AND CERTIFY THAT I AM NOT INTERESTED IN SAID LAND FOR LEASING OR SALE THEREOF.

SIGNED [Signature]

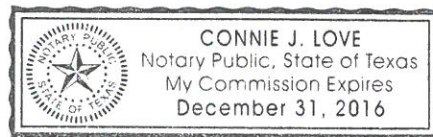
ADDRESS 735 Fossil view

CITY/STATE Las Cruces NM

SUBSCRIBED AND SWORN TO BEFORE ME THIS 11th DAY OF August 20 16.

MY COMMISSION EXPIRES:  
12-31-16

Connie Love  
NOTARY PUBLIC



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EXHIBIT A

LEASE NO: GR2149

SUBDIVISION				SEC-TWN-RNG	ACREAGE	U S E	PRICE PER UNIT	CARRY CAP *
N2N2	-	-	-	36 20S 15E	160.00	G	-	12
ALL	-	-	-	16 20S 16E	640.00	G	-	13
ALL	-	-	-	32 20S 16E	640.00	G	-	17
TOTAL ACREAGE:				1,440.00	TOTAL RENTAL:		\$2,372.58	

RENEWAL LEASE

LEGEND: USE TYPE CODES

C= CONSERVATION RESERVE PROGRAM LAND, D= DRYLAND FARMING, G= GRAZING,  
 I= IRRIGATED CROPLAND, M= MOBILE HOME ON LAND, R= RSIP LAND, 1= GRAZING (BID),  
 2= DRYLAND FARMING (BID), 3= IRRIGATED CROPLAND (BID) 4= CRP (BID) 5= RSIP (BID) ,  
 H= 1/2 SOUTH FOR TOWNSHIP, H= 1/2 EAST FOR RANGE

\* CARRYING CAPACITY RATES LISTED ARE BASED ON 640 ACRE PARCELS

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LEASE NO. GR2149  
MISCELLANEOUS INSTRUMENT PAGE

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UNDER COLLATERAL ASSIGNMENT  
TO: LONE STAR STATE BANK OF WEST TEXAS  
DATE FILED: 05/28/2014      NO:      16,946  
DATE RELEASED:  
DATE ASSUMED :

UNDER COLLATERAL ASSIGNMENT  
TO: CAPITAL FARM CREDIT, FLCA  
DATE FILED: 12/08/2015      NO:      17,122  
DATE RELEASED:  
DATE ASSUMED :

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